

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7125

BILL NUMBER: HB 1345

NOTE PREPARED: Jan 9, 2006

BILL AMENDED:

SUBJECT: Income Tax Credit for Sales Tax Paid for Heating.

FIRST AUTHOR: Rep. Davis

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a state tax liability credit for a taxpayer: (1) who receives heating energy from a heating energy supplier; and (2) whose household federal Adjusted Gross Income does not exceed 200% of the federal income poverty level. The bill also provides that the amount of the credit equals the lesser of: (1) the amount of Sales Tax paid by the taxpayer in transactions involving the sale of heating energy to the taxpayer during the taxable year; or (2) \$58.

Effective Date: January 1, 2006 (retroactive).

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the individual Adjusted Gross Income (AGI) Tax forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

Explanation of State Revenues: *Summary:* This bill provides an individual AGI Tax credit for Sales Tax paid for heating energy. This credit is estimated to decrease individual AGI Tax collections ranging from \$22 M to \$40 M in FY 2007 and from \$25 M to \$40 M in FY 2008. This refundable tax credit is effective for tax years beginning January 1, 2006 so will impact revenue collections beginning in FY 2007. Individual AGI Tax is distributed 86% to the state General Fund and 14% to the Property Tax Replacement Fund.

Background: This bill provides an individual AGI Tax credit for Sales Tax paid for heating energy. To be eligible for this credit a taxpayer's federal AGI must not exceed 200% of the poverty level as determined by the federal Office of Management and Budget.

The credit is available for transactions involving heating energy for either:

- (1) the heating season, which is defined in the bill as December 1 through March 15; or
- (2) any month during the taxable year if the taxpayer is on a budget billing plan with the company supplying the heating energy.

The bill provides that taxpayers that already are receiving heating energy assistance from the Division of Family Resources under IC 12-14-11 are eligible for this credit.

The amount of the credit is equal to the lesser of:

- (1) the amount of Sales Tax paid for heating energy in an eligible transaction; or
- (2) \$58.

According to the U.S. Census Bureau, there are approximately 689,000 households at or below 200% of the poverty level in Indiana.

The estimates above are based on average billing estimates from the Energy Information Administration and the Indiana Energy Association. The lower range is based on an assumption that all eligible taxpayers that are at or below 200% of the poverty level utilize this income tax credit for the amount of Sales Tax paid based on average billing information. The high range represents all eligible taxpayers using the maximum credit of \$58.

The table below shows the impact on Individual Adjusted Gross Income Tax revenue distributed to the GF and PTRF.

Reduction in Individual Adjusted Gross Income Tax Collections (in millions)				
Year	FY 2007	FY 2007	FY 2008	FY 2008
Range	Low	High	Low	High
General Fund	(\$19.0 M)	(\$34.4 M)	(\$21.5 M)	(\$34.4 M)
PTRF	(\$2.0 M)	(\$5.6 M)	(\$3.5 M)	(\$5.6 M)
Total	(\$22.0 M)	(\$40.0 M)	(\$25.0 M)	(\$40.0 M)

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: U.S. Census Bureau; Tom Scott, Program Specialist, Family and Social Services Administration, 232-7015; Energy Information Administration; Indiana Energy Association.

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